

Data Sheet

USAID Mission:	Georgia
Program Title:	Energy and Environment
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	114-0151
Status:	New in FY 2004
Planned FY 2005 Obligation:	\$13,400,000 FSA
Prior Year Unobligated:	\$4,559,000 FSA
Proposed FY 2006 Obligation:	\$10,000,000 FSA
Year of Initial Obligation:	2004
Estimated Year of Final Obligation:	2008

Summary: This strategic objective further strengthens and develops Georgia's highly neglected energy production, supply, and distribution systems, while supporting the Government of Georgia (GOG) in the development and implementation of market-friendly energy sector policies and regulatory frameworks as state-owned utilities move towards privatization. USAID's emphasis is three-fold: a) improved financial and commercial performance of energy sector entities; b) development of a more diversified, renewable, cost effective, and environmentally sustainable energy supply; and c) improved energy sector efficiency with subsequent increases in capital and operating resources.

Inputs, Outputs, Activities:

FY 2005 Program: Expand and Improve Access to Economic and Social Infrastructure (\$6,850,000 FSA, \$1,958,000 FSA carryover, \$1,147,000 FSA prior year recoveries). To improve the supply and distribution of energy resources, USAID will provide technical assistance (TA) and training to implement the GOG's national energy strategy and improve the financial state of the sector. These activities will promote and ensure energy independence, provide assistance to socially vulnerable groups, increase energy efficiency, and modernize and rehabilitate the bankrupt electric power sector. The level of funding for this activity is linked to the GOG meeting specific benchmarks, most of which are keyed to the national energy strategy. GOG continuance of a USAID-funded, electricity distribution company management contract through 2006 demonstrates continued commitment to such reform. Additional efforts link sustainable natural resource management with rural energy systems design, rehabilitation, development, and financing (e.g., local credit and/or Development Credit Authority). Principal contractors: PA Consulting (prime), Winrock International (sub), TBD.

Improve Sustainable Management of Natural Resources and Biodiversity (\$2,420,000 FSA, \$380,000 FSA carryover). USAID will support community-level energy and environmental planning to assist in the design, implementation, and monitoring of energy systems that promote environmental stewardship and sustainable natural resource management. USAID's successful efforts to link sustainable natural resource management with the restoration of small-scale hydropower systems and the development of alternative and renewable energy systems for rural populations will be incorporated into an FY 2005 follow-on activity that will expand this assistance to rural Georgia. To promote regional water coordination among the countries of Georgia, Armenia, and Azerbaijan, USAID will initiate a follow-on activity to further address critical regional water issues (water quality, environment, etc.) and will continue the positive dialogue initiated among the three governments, while advancing the concept of sound river basin planning. Principal contractors: PA Consulting (prime), Winrock International (sub.), Horizonti (prime), TBD.

Improve Economic Policy and Governance (\$3,530,000 FSA, \$1,074,000 FSA carryover). To carry out the various and complex energy sector reforms facing the GOG, USAID will provide direct advisory support and TA to the Ministry of Energy, focusing on energy policy and institutional reform, energy planning, management information systems, and legal and regulatory issues. The activity is developing and designing programs in public relations, awareness, and

participation for broad release to the Georgian public. A new activity will extend technical assistance (TA) to promote utility reform across the energy and water sectors. Principal contractors: CORE International (prime), TBD.

Promote Public-Private Alliances as a Principal Business Model (\$600,000 FSA). There is significant U.S. private interest in developing projects with USAID in the energy and environmental sectors. USAID will develop joint projects focused on energy distribution, management, infrastructure reforms, and energy access for rural communities. Principal contractors: TBD.

FY 2006 Program: Expand and Improve Access to Economic and Social Infrastructure (\$3,500,000 FSA). USAID will continue to provide TA and training to implement the GOG's national energy strategy and improve the financial state of the sector. The USAID-funded electricity distribution company management contract will be financed through FY 2006. USAID's rural energy activities will continue to design and finance community energy infrastructure. Principal contractors: PA Consulting (prime), Winrock International (sub.).

Improve Sustainable Management of Natural Resources and Biodiversity (\$2,000,000 FSA). USAID plans to continue a rural, community-based energy and environment activity, promoting energy production with watershed conservation, reforestation, and fuel wood substitution to reduce pressure on forests. USAID will continue to promote regional water coordination among the countries of Georgia, Armenia, and Azerbaijan through its Regional Water Management 2 initiative. Principal contractors: PA Consulting (prime), Winrock International (sub), Horizonti (prime), TBD (prime).

Improve Economic Policy and Governance (\$4,000,000 FSA). USAID intends to continue to provide direct advisory support and TA to the GOG in the areas of utility reform, energy policy and institutional reform, energy planning, management information systems, legal and regulatory issues, and public awareness. Principal contractors: CORE International (prime), TBD (prime).

Promote Public-Private Alliances as a Principal Business Model (\$500,000 FSA). USAID will continue and/or expand alliances built in FY 2005 and possibly develop new activities with other interested private sector entities. Principal contractors: TBD.

Performance and Results: This SO met expectations in FY 2004, despite a high level of GOG interference in sector operations and lack of movement in reform prior to the Rose Revolution. In the first quarter of FY 2004, the new GOG -- in conjunction with international donors and contractors managing the state-owned Georgian Wholesale Electricity Market (GWEM), the transmission and dispatch company (GSE), and the United Electricity Distribution Company (UEDC) -- began to reduce corruption (and thus leakage of revenues) and improve management processes and systems. USAID TA produced notable increases in retail (consumer) collection rates from 17% to 28.8%, making it possible to finance a portion of winter imports from cash flow. The main impact of USAID's technical assistance on wholesale payments to GWEM has been through the UEDC management contract by: assisting UEDC pay off over \$6 million in bank loans and old debts incurred by prior management; pay taxes and salaries on time and in full; introduce entirely new management systems throughout the organization; improve billing and collections through re-metering; attack corruption through the dismissal of cash collectors; reorganize purchasing authority in UEDC; and form a commercial security service that turned over 50 corruption-related cases to the prosecutor's office. USAID assisted the Ministry of Energy to coordinate sector entities and analyze energy demand and production in order to formulate how to fill the deficit in supply.

At the close of this objective, subsidies for electricity customers will have dropped by 75% from \$31.1 million to \$7.8 million and the number of customers with a predictable energy supply will have quadrupled from 450,000 to 1,800,000.

US Financing in Thousands of Dollars

Georgia

114-0151 Energy and Environment	DCA	FSA
Through September 30, 2003		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Fiscal Year 2004		
Obligations	296	8,739
Expenditures	0	2,266
Through September 30, 2004		
Obligations	296	8,739
Expenditures	0	2,266
Unliquidated	296	6,473
Prior Year Unobligated Funds		
Obligations	0	4,559
Planned Fiscal Year 2005 NOA		
Obligations	0	13,400
Total Planned Fiscal Year 2005		
Obligations	0	17,959
Proposed Fiscal Year 2006 NOA		
Obligations	0	10,000
Future Obligations	0	13,400
Est. Total Cost	296	50,098